Public Service Pension Plan

ANNUAL REPORT

FOR THE FISCAL YEAR ENDED MARCH 31, 1987

Alberta
TREASURY

88-06202/

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PROVINCIAL TREASURER
224 Legislature Building, Edmonton, Alberta, Canada T5K 2B6 403/427-8809

June, 1988

The Honourable Dr. David Carter
Speaker of the Assembly

Sir:

Pursuant to section 4 of the Public Service Pension Plan Act, being Chapter P-35.1 of the 1984 Statutes of Alberta, I have the honour to lay before the Assembly the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1987.

Respectfully submitted,

Dick Johnston
Provincial Treasurer

Alberta
TREASURY

442 Terrace Building, 9515 - 107 Street, Edmonton, Alberta, Canada T5K 2C3 403/427-4106

June, 1988

The Honourable Dick Johnston
Provincial Treasurer

Sir:

In accordance with section 4 of the Public Service Pension Plan Act, I have the honour to transmit herewith the annual report on the operation of the Public Service Pension Plan for the fiscal year ended March 31, 1987 to be laid by you before the Legislative Assembly.

The annual report includes a statement of the most recent estimate of the actuarial liabilities of the Plan as required by section 4(2) of the Act.

Respectfully submitted,

A. D. O'Brien
Deputy Provincial Treasurer
Management and Control

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Introduction

The Public Service Pension Plan was established effective April 1, 1947 by the Public Service Pension Act to provide a contributory pension scheme for employees of the Alberta Government, its Agencies, Boards, Commissions, and other public service bodies approved by the Lieutenant-Governor in Council. Members of the Legislative Assembly also participated in the Public Service Pension Plan until the establishment of a separate pension plan for Members of the Legislative Assembly in 1969. Similarly, on the establishment of the Public Service Management Pension Plan in 1972, the Alberta Government employees whose positions were designated as "Management" transferred to the Public Service Management Pension Plan.

The Public Service Pension Act was repealed on November 1, 1985 and replaced by the Public Service Pension Plan Act. Under the new legislation, policy and administration became the responsibility of the Lieutenant-Governor in Council and the Minister respectively, while the Public Service Pension Plan Board was assigned an advisory and appellate role.

Plan Overview

The Public Service Pension Plan is a contributory defined benefit plan. For the calendar year 1986 both employees and employers contributed at a rate of 3.85 per cent of basic salary up to the year's maximum pensionable earnings under the Canada Pension Plan, and 5.5 per cent on any excess. These rates increase by 0.25 per cent for each of the calendar years 1987, 1988 and 1989. The net amount of pension contributions less payments is deposited to or withdrawn from the Pension Fund pursuant to the Pension Fund Act. The income of the Pension Fund accrues to and forms part of the Fund. The Government of Alberta guarantees the payment of all benefits under the Public Service Pension Plan.

Members may retire at any time after age 55 if five years of pensionable service has been accumulated. Normal pensionable age is 65 but members can also retire on an unreduced pension at any time after age 55 providing that pensionable service plus age totals not less than 85. There is no mandatory retirement age. Pension benefits are based on the number of years of pensionable service multiplied by 1.4 per cent of salary up to the maximum pensionable earnings under the Canada Pension Plan and two per cent of the excess salary. Salary is calculated as the highest average pensionable earnings for five consecutive years. If the member has a spouse, unless a waiver is signed by the spouse, the pension must be a joint pension guaranteed for the life of the member and spouse. The normal form of a pension is for the life of the member with a five year guarantee period. Single members may elect a life pension, choosing a normal pension or a 10, 15 or 20 year guarantee period. They may also elect a joint life pension based on their life and that of a nominee.

The Plan also makes provision for those members who die prior to retirement and have accumulated at least five years of pensionable service. In such cases the surviving spouse is entitled to either a spousal pension or a lump sum benefit. The spousal pension is equal to the survivor benefit of a non-reduced joint life pension. A beneficiary other than a spouse must accept a lump sum benefit.

Review of Operations

The Public Service Pension Plan is administered by Alberta Treasury, Payroll and Pensions.

During the year under review the concept of annual reporting was extended to encompass all employers under the Plan. Annual reporting by employers offers significant advantages over monthly reporting as it reduces the amount and frequency of data required to be submitted to the Pension Administration.

In accordance with the concept of giving employers greater responsibility over their pension plan, employer training in the form of workshops and seminars was expanded from previous years. In addition, a new employer manual with improved content and format was developed to assist employers in carrying out their responsibilities.

Annual statements were produced for all participants to provide information and verify the current status of information on file. The statements were forwarded to employers for distribution.

During the year, Payroll and Pensions continued with further automation of pension plan activities. Retirement processing, including the provision of member estimates, was partly computerized in February 1987. Such computerization of the retirement function has improved the accuracy of pension calculations and decreased the time required in supplying information to retirees.

Actuarial Liabilities

An independent actuarial valuation carried out at March 31, 1985 estimated the accrued liability of the Public Service Pension Plan to be $1,654,033,000. The normal actuarial cost of the plan as a percentage of payroll was estimated at 12.7 per cent.

Participation

At March 31, 1987 there were a total of 48 employers participating in the Public Service Pension Plan, 47,834 active contributors and 3,988 terminated employees who had either not made a choice regarding their plan status or were awaiting a deferred pension.

A listing of the participating employers and the number of participants is provided in the section on Contributions.

Book Entry Transfers

The following transfers to and from other pension plans administered by the Province of Alberta were made by book entry during the year. These transfers are not reflected in the Statement of Receipts and Payments.

	TRANSFERS TO PUBLIC SERVICE PENSION PLAN	TRANSFERS FROM PUBLIC SERVICE PENSION PLAN
	$	$
Public Service Management Pension Plan	370,075	4,789,719
Local Authorities Pension Plan	1,109,615	2,211,843
Universities Academic Pension Plan	69,423	834,954
	1,549,113	7,836,516

Reciprocal Agreements

At March 31, 1987, the Public Service Pension Plan had reciprocal transfer agreements in effect with the following pension authorities. The agreements enabled participants to transfer pension credits to and from these authorities.

Within Alberta

- Alberta Government Telephones Pension Plan
- Alberta Teachers' Retirement Fund
- Local Authorities Pension Plan
- Public Service Management Pension Plan
- Universities Academic Pension Plan

Outside Alberta

- Government of Canada
- Government of British Columbia
- Manitoba Civil Service Superannuation Board
- Province of New Brunswick
- Government of Ontario
- Province of Prince Edward Island
- Saskatchewan Public Service Superannuation Board
- Canada Mortgage and Housing Corporation
- Dalhousie College and University
- McGill University
- McMaster University
- University of Toronto
- University of Guelph
- Ryerson Polytechnical Institute
- University of Manitoba
- Health Sciences Centre of Manitoba
- Council of Maritime Premiers
- Ontario Colleges of Applied Arts and Technology
- Ontario Municipal Employees Retirement Board
- Ontario Workers' Compensation Board
- Ontario Teachers' Superannuation Commission
- Regina Civic Employees' Superannuation and Benefits Plan
- University of Regina
- Saskatchewan Research Council
- Saskatchewan Crown Investments Corporation
- Saskatchewan Health Care Association
- Saskatchewan Municipal Employees' Superannuation Commission
- Saskatchewan Teachers' Superannuation Commission
- Saskatchewan Power Corporation Superannuation Board
- York University

Reciprocal Transfers

During the year ended March 31, 1987 the following number and value of reciprocal transfers were undertaken:

	TRANSFERS TO PUBLIC SERVICE PENSION PLAN		TRANSFERS FROM PUBLIC SERVICE PENSION PLAN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
		$		$
Alberta Teachers' Retirement Fund	13	275,625	11	98,858
Government of Canada	19	192,600	16	156,835
Government of British Columbia	2	4,253	4	22,990
Manitoba Civil Service Superannuation Board	3	69,208	2	8,286
Saskatchewan Health Care Association	2	14,889	2	34,912
Ontario Municipal Employees Retirement Board	2	27,329	3	59,167
Government of Ontario	2	9,655	9	89,392
Province of New Brunswick			3	50,416
Other	3	47,940	3	16,509
	46	641,499	53	537,365

Note: The amounts of reciprocal transfers to the Public Service Pension Plan are included under Contributions on page six.

Contributions

The schedule below summarizes the employee and employer contributions for the year ended March 31, 1987.

	Participants At March 31, 1987	Contributions Received		
		Employee $	Employer $	Total $
Government of Alberta	29,058	33,048,207	32,673,120	65,721,327
Alberta Cancer Board	710	1,074,078	1,007,535	2,081,613
Alberta Educational Communications Corporation	187	226,217	215,825	442,042
Alberta Hail and Crop Insurance Corporation	99	95,327	93,258	188,585
Alberta Liquor Control Board	1,260	1,189,232	1,158,793	2,348,025
Alberta Mortgage & Housing Corporation	518	621,280	614,595	1,235,875
Alberta Motion Picture Development Corporation	3	6,527	6,526	13,053
Alberta Opportunity Company	68	82,505	82,505	165,010
Alberta Racing Commission	14	20,424	20,424	40,848
Energy Resources Conservation Board	802	1,172,932	1,154,572	2,327,504
Petroleum Marketing Commission	98	149,489	148,345	297,834
Special Areas Board	101	109,649	107,565	217,214
Special Waste Management Corporation	3	2,450	2,020	4,470
Treasury Branches	2,529	1,937,818	1,921,302	3,859,120
Workers' Compensation Board	1,023	1,124,980	1,063,235	2,188,215
University of Alberta	3,691	3,969,560	3,756,226	7,725,786
Athabasca University	149	118,855	118,568	237,423
University of Calgary	1,888	1,661,588	1,586,647	3,248,235
University of Lethbridge	276	216,247	210,789	427,036
Banff Centre for Continuing Education	213	184,858	177,593	362,451
University of Alberta Hospital	3,889	4,351,920	4,200,794	8,552,714
Health Units	1,246	1,336,427	1,268,926	2,605,353
Alberta Union of Provincial Employees	6	10,094	10,095	20,189
Other	3	3,302	3,241	6,543
Accounts Held on Deposit	3,988	32,806	248	33,054
	51,822	52,746,772	51,602,747	104,349,519

Refunds

The following amounts of member contributions and interest were refunded during the year to members terminating employment:

	Number	Amount $
Cash	3,786	7,453,075
Registered Retirement Savings Plans or Registered Pension Plans outside of a reciprocal agreement	1,219	5,100,478
	5,005	12,553,553

In addition, 845 refunds of excess contributions totalling $140,594 were made to members and employers during the year.

Death in Service Benefits

In the current year 82 members died while in service. Forty-one of the surviving spouses were granted spousal pensions. Lump sums were paid in respect of the other 41 deaths in service to a total of 50 individual beneficiaries.

Information and Counselling Service

Payroll and Pensions presented 114 information seminars to employees during the year. Ten workshops were held for employers to assist them in their pension administration responsibilities.

Several information brochures on special interest topics were prepared for participants and a regular information bulletin, Pension News, was prepared for employers.

Requests for individual counselling increased dramatically during the latter part of the year as a result of the Early Retirement Incentive Program of the Government of Alberta.

Pension Benefits

During the year ended March 31, 1987, pension benefits paid totalled $59,442,019, an increase of $5,200,078 (9.6 per cent) over the previous year. A total of 555 pensions were granted in the categories shown in the table below. Previous year figures are included for comparison.

	1987		1986	
Normal Retirement	211		271	
Early Retirement	294	(213)	355	(259)
Partial or Total Disability	9	(2)	13	(9)
Death-in-Service (Spousal)	41	(19)	45	(28)
	555	(234)	684	(296)

( ) Brackets denote pensions co-ordinated with Canada Pension Plan (CPP) and/or Federal Old Age Security (OAS) payments.

Of the above retirements, 72 were in respect of deferred retirements from previous years (11 normal, 56 early and five disability).

Pension options selected by members are as follows:

Member Pensions	At March 31, 1986	New Retirements	Beneficiaries	Deaths	End of Guarantee Term	At March 31, 1987
Normal (guaranteed 5 years)	1622	49	1	(40)	(7)	1625
Single Life	958	80		(26)		1012
Guaranteed 10 years	1867	58	24	(74)	(28)	1847
Guaranteed 15 years	1258	39	27	(39)	(25)	1260
Guaranteed 20 years	901	49	13	(16)	(4)	943
Joint Life non-reduced	425	177	5	(9)		598
Joint Life Reduced one third	268	58	8	(12)		322
Joint Life Reduced one half	137	4	3	(7)		137
Spousal Pensions						
Single Life	295	14		(2)		307
Guaranteed 5 years	41	1				42
Guaranteed 10 years	79	2				81
Guaranteed 15 years	79	5				84
Guaranteed 20 years	280	19	1	(5)		295
Total Pensions	8210	555	82	(230)	(64)	8553
Pensions co-ordinated with CPP and/or OAS	3283	234	19	(86)	(20)	3430

Note: The allocation of pension options at March 31, 1986 has been adjusted to correct previously reported figures.

The schedule below categorizes the pensions in effect at March 31, 1987 by dollar value of monthly pension.

Dollar Value Per Month	Member Pensions	Spousal Pensions	Total
$ 0 – 499	4,187	546	4,733
500 – 999	2,244	205	2,449
1,000 – 1,499	901	45	946
1,500 – 1,999	300	10	310
2,000 – 2,499	77	2	79
2,500 – 2,999	23	1	24
3,000 – 3,499	8	0	8
3,500 and over	4	0	4
	7,744	809	8,553

Effective January 1, 1987 a cost of living adjustment of 2.7 per cent was granted to those pensioners in receipt of a pension for one year or more with a proportionately smaller increase granted to those retiring during the year.

STATEMENT OF RECEIPTS AND PAYMENTS
YEAR ENDED MARCH 31, 1987

	1987	1986
	$	$
RECEIPTS:		
Employee contributions	52,746,772	48,426,641
Employer contributions	51,602,747	47,712,295
Interest on overdue receivables	11,860	8,488
	104,361,379	96,147,424
PAYMENTS:		
BENEFITS		
Pensions to retired members	54,220,052	49,845,818
Pensions to surviving spouses	4,360,368	3,960,587
Lump sums to beneficiaries of deceased pensioners	434,590	42,779
Lump sums to beneficiaries of deceased employees	427,009	392,757
	59,442,019	54,241,941
WITHDRAWALS		
Refunds of contributions and interest to terminated members	12,553,553	12,310,867
Reciprocal agreement transfers	537,365	439,397
Refunds of excess contributions	140,594	136,659
	13,231,512	12,886,923
Total payments	72,673,531	67,128,864
Excess of receipts over payments	31,687,848	29,018,560

Note: The receipts and payments shown above do not reflect transfers of contributions and interest to and from other pension plans administered by the Alberta Government. Such transfers are detailed under Book Entry Transfers.

Comparative Statistics

The table below shows comparative statistics of receipts and payments for the most recent five fiscal years:

(000's)

Fiscal Year	RECEIPTS			PAYMENTS			Excess of Receipts over Payments
	Member	Employer	Total	Benefits	With-drawals	Total	
	$	$	$	$	$	$	$
1986-87	52,747	51,614	104,361	59,442	13,231	72,673	31,688
1985-86	48,427	47,720	96,147	54,242	12,887	67,129	29,018
1984-85	45,229	44,751	89,980	48,991	10,074	59,065	30,915
1983-84	45,808	45,059	90,867	44,741	7,314	52,055	38,812
1982-83	41,847	40,354	82,201	40,226	10,784	51,010	31,191